KinderCare is now trading on the stock market. What does that mean for the future of American child care? [1]

KinderCare, which serves nearly 200,000 children across the country, recently hit the public market.

Author: Haspel, E.
Source: Early Learning Nation
Format: Article
Publication Date: 3 Dec 2024

AVAILABILITY
Access online [2]

Excerpts

There was a major shift in the child care landscape in October, but you'd be forgiven for not noticing unless you happen to be a regular consumer of Wall Street news. On Oct. 9, KinderCare, the largest private provider of child care in the country — serving nearly 200,000 children mainly below the age of six — executed an initial public offering (IPO) and is now publicly traded on the stock market.

...

What Can We Learn From IPO-related Business Disclosures?

...

I am frequently asked how a child care company could possibly make enough money, given the sectors' difficult economics, to justify interest from investors seeking high returns. One helpful facet of a company IPO is that they are required to submit numerous legal documents, including a comprehensive detailing of company dealings known as a prospectus. The following three revelations from KinderCare's prospectus stood out to me:

1. KinderCare is willing to close centers because they are financially underperforming. In the prospectus, under a heading called "Competitive Strengths," the document states: "We believe the quality of our portfolio is also differentiated from our peers due to prior center optimization efforts, a successful acquisition track record, consistent processes and investments, and a suburban-focused center network. From 2012 to 2017, we strategically closed 380 underperforming centers." These closures, the prospectus explains, allowed KinderCare to increase revenue and enrollment at their remaining centers.
2. KinderCare is increasingly focused on affluent families rather than serving families with a broad range of income levels. KinderCare has long stood out as one of the few large chains that accepts a solid number of children on child care subsidy. Yet in the prospectus, the company writes of, "Strong tailwinds supporting demand for premium ECE offerings," due to the growing number of U.S. households with income of at least $140,000. The prospectus also notes that targeted acquisitions of other chains in recent years have given KinderCare "access to the premium ECE market — resulting in a quality portfolio with density in suburban communities." Given KinderCare's size and growth trajectory, this suggests a future in which there are more child care haves and have-nots.
3. KinderCare benefits when the broader child care system fails. According to the prospectus, the company seeks to "Increase same-center revenues through improved occupancy and consistent price increases across our portfolio offerings." It says: "We employ a multipronged strategy to increase same-center revenues through enrollment and tuition rate increases … As a scaled provider, we believe we are well positioned to benefit from the combined impacts of growing ECE demand and potential supply reductions driven by center closures as stimulus funding sunsets." In essence, KinderCare is saying that they have an interest in a child care system characterized by scarcity and the ability to charge high fees.

What Does This Mean for the Future of Large, For-Profit Child Care Companies and the Child Care System Writ Large?

...

The question is whether profit-maximizing investment is an appropriate model for a human-centered service, such as child care, and what a growing investor trend means for efforts to create a universally affordable, accessible and high-quality system with well-compensated educators.

...

Related link: "The end user is a dollar sign, it's not a child": How private equity and shareholders are reshaping American child care [3]
Region: United States [4]
Tags: for-profit [5]
private equity [6]

Source URL (modified on 11 Dec 2024): https://childcarecanada.org/documents/research-policy-practice/24/12/kindercare-now-trading-stock-market-what-does-mean-future

Links

[1] https://childcarecanada.org/documents/research-policy-practice/24/12/kindercare-now-trading-stock-market-what-does-mean-future [2] https://earlylearningnation.com/2024/12/kindercare-is-now-trading-on-the-stock-market-what-does-that-mean-for-the-future-of-american-child-care/ [3] https://childcarecanada.org/documents/research-policy-practice/24/04/“-end-user-dollar-sign-it’s-not-child”-how-private-equity [4] https://childcarecanada.org/taxonomy/term/7865 [5] https://childcarecanada.org/category/tags/profit [6] https://childcarecanada.org/taxonomy/term/9343